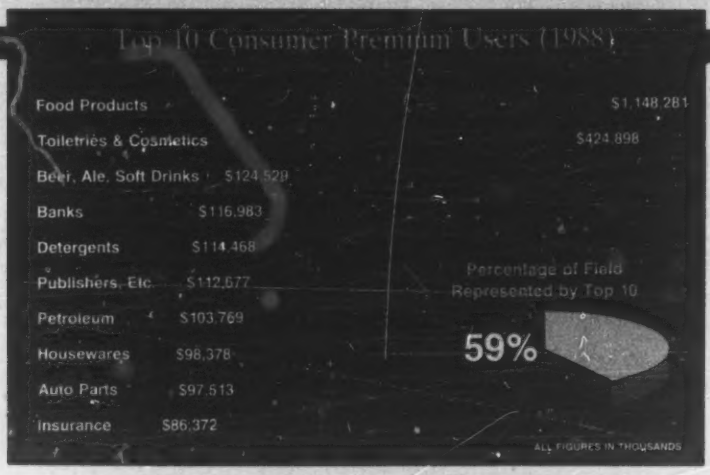


Consumer Incentives

The toiletries and cosmetics industry makes a big investment in promotion.

The biggest users of consumer incentives—makers of food products—dragged their feet a bit this year, with only a 2.3 percent increase in spending. Accounting for 28 percent of expenditures, the food marketers had increased promotion efforts by at least 7 percent in all but one of the past six years.

The second-largest user—toiletries and cosmetics--increased incentive budgets by 12.2 percent this year. In all, total estimated expenditures for product promotion rose only 4.7 percent in 1988.

All consumer promotion, including retailer expenditures, will post a 4.1 percent gain to reach $5.7 billion. Of that, $4.1 billion is for suppliers' product promotion and $1.6 billion for retailers' efforts.

The least progress in consumer promotion was written by automobiles and trucks, with a 5.6 percent retreat from 1987 usage. Since 1985, when use of cash incentives began in earnest, car makers have reduced by 53 percent their use of tangible incentives that offer something extra.

Here are the year-to-year changes in expenditure by industry:

Apparel	+ 0.8%
Auto parts, tires, accessories	+ 4.3%
Automobiles & trucks	- 5.6%
Banks and savings & loan	+ 4.0%
Beer, ale, soft drinks	+ 7.6%
Building materials	+ 8.2%
Detergents & cleansers	+ 6.5%
Electric appliances	+ 4.4%
Electrical & lighting equipment	+ 3.4%
Electronics, radio, TV	+ 2.2%
Farm equipment	+ 5.5%
Feed, fertilizer, farm supplies	+ 1.0%
Food products	+ 2.3%
Furniture & floor coverings	+ 1.1%
Hardware	+ 8.9%
Heating & air conditioning	+ 0.5%
Housewares & furnishings	+ 3.3%
Industrial chemicals	+ 1.3%
Insurance	+ 6.6%
Machinery & supplies	- 0.6%
Office equipment	+ 3.4%
Paints & varnishes	+10.8%
Paper products & packaging	+11.9%
Petroleum products	+ 3.0%
Pharmaceuticals	+ 3.8%
Public utilities	+ 4.5%
Publishers, printers, broadcasters	+ 5.5%
Sporting goods & toys	+ 4.9%
Toiletries & cosmetics	+12.2%
Distributors & wholesalers	+ 2.2%
Retailers	+ 2.7%

Manufacturers' mail-in promotions had a relatively strong showing, increasing 5.5 percent to $2.1 billion, while direct premiums gained 3.8 percent to $2 billion.

Within those major categories, self-liquidators and sweepstakes showed moderate strength, up 6.2 percent and 6.5 percent respectively, while free mail-in offers increased by only 3.4 percent. The near-pack direct premium and coupon plan were both stagnant, showing 0.2 percent increases, while the relatively small factory-pack group jumped ahead 13.2 percent.

Here is how marketers are estimated to have spent the $4.1 billion for these promotions this year (in thousands):

Self-liquidators	$1,218,619
Free mail-ins	576,343
Sweepstakes & contests	310,617
Direct premiums	1,024,712
Factory-packs	617,808
Coupon plan	368,982

Promotions generally performed well this year, although the results were less than many expected after last year's yield. Sales gains attributed to the incentive promotion averaged 16.1 percent—a significant drop from last year's 18.7 percent gains.

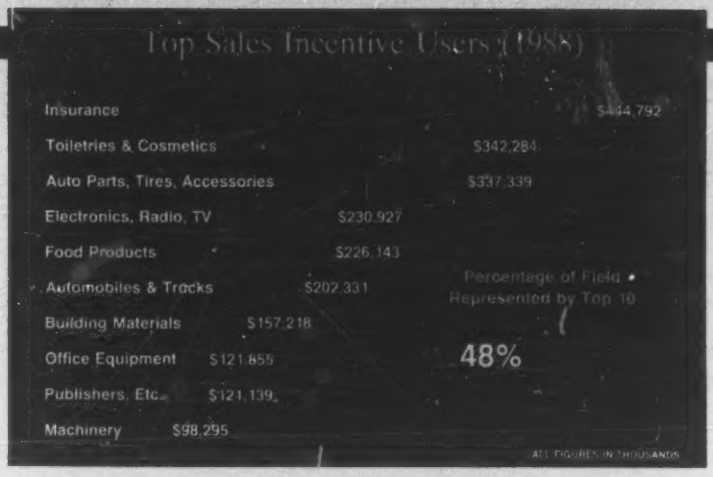
Response to mail-in offers, as measured by cost per 1,000 advertising impressions, is mixed this year. Premium requests and sweepstakes entries tracked to print and broadcast media showed some improvement over last year's estimates. But in measuring response to package advertising and point-of-purchase displays, the executives reported a slight drop from a year ago.

The relative shortage of display-generated response may be tied directly to another measure of results: the use of display materials. In the 1987 study, **Incentive** found that consumer marketers achieved an average of 38 percent greater retail display usage during promotions than in non-promotion periods. This year, the comparable figure fell to 26 percent.

Retailers' incentive activities increased by only 2.7 percent overall. The small sweepstakes and games category rose 6.5 percent to $198 million, while direct premiums advanced only 2.2 percent to $1.4 billion. Trading stamps, tabulated with direct premiums, again lost ground, dropping 1.8 percent to $375 million. □

Sales Incentives

Although the growth pace has slowed, sales-force motivation remains the fastest-growing category.



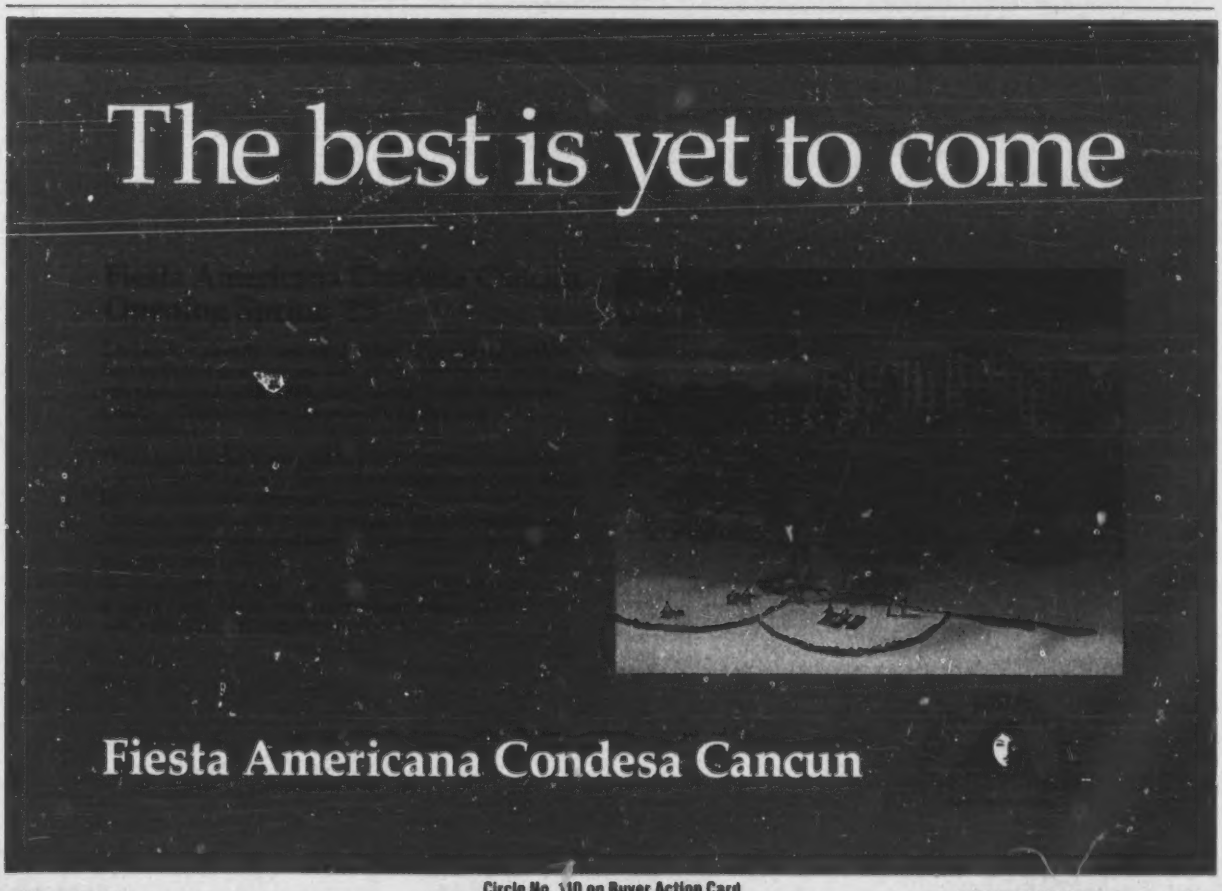
Sales-force incentives remain the fastest-moving category in the motivation field as they have for the past five years. This year, the growth pace eased to a rate of 6.6 percent, the smallest increment in the last five years. The increase in expenditures this year brings the total of sales incentive activity to an estimated $4.76 billion.

Spending for merchandise outstripped travel this year, with a 7.7 percent gain to approximately $3.5 billion; travel is up 3.8 percent to approximately $1.26 billion.

Those dollars continue to help marketers achieve their objectives, but more was paid for a little less in results this year. The average cost of promotions in relation to sales gains rose to 15 percent this year from 12 percent a year ago. The average sales growth dipped slightly, from 20.9 percent in 1987 to 19.7 percent now. Meanwhile, users had to give a few more awards this year: 42 percent qualified in sales motivation programs, compared with 40 percent for the past three years.

Travel contributed most to the higher price, as unit trip cost rose to $1,664 per person from $1,404. The median went to $1,450 from $1,000. In the same period, merchandise unit cost dropped to an average of $260 from last year's $340. The median also fell—from $125 to only $100 this year.

Seven of the 10 largest incentive-using industries expanded their promotion by percentages well above the average. Insurance, the number-one



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spender, increased sales incentives by about 10.7 percent, and the second-ranked toiletries industry added 8.7 percent. Automobiles and trucks, auto parts, electronics, food, and machinery all increased activity by double-digit percentages.

Here is how industries treated sales incentive spending this year:

Apparel	+16.3%
Auto parts, tires, accessories	+13.4%
Automobiles & trucks	+13.8%
Banks and savings & loan	+ 2.6%
Beer, ale, soft drinks	+17.6%
Building materials	+ 4.7%
Detergents & cleansers	+ 2.5%
Electric appliances	+ 3.1%
Electrical & lighting equipment	+ 2.1%
Electronics, radio, TV	+12.2%
Farm equipment	+ 6.5%
Feed, fertilizer, farm supplies	+ 0.6%
Food products	+10.9%
Furniture & floor coverings	+ 3.4%
Hardware	+26.9%
Heating & air conditioning	+ 6.8%
Housewares & home furnishings	+ 2.3%
Industrial chemicals	+13.6%
Insurance	+10.7%
Machinery & supplies	+12.7%
Office equipment	+ 1.5%
Paints & varnishes	+ 5.9%
Paper products & packaging	+ 1.0%
Petroleum products	+ 2.3%
Pharmaceuticals	+ 9.6%
Public utilities	+ 5.4%
Publishers, printers, broadcasters	+ 5.4%
Sporting goods & toys	+ 5.1%
Toiletries & cosmetics	+ 8.7%
Distributors & wholesalers	+ 0.5%
Retailers	+ 2.4%

Users of sales incentives report a growing diversity in campaign objectives, with a decreased focus on sheer volume-building. While more sales are the underlying goal of every marketing program, any tool used in reaching it is likely to be more effective if it can be applied precisely.

The **Incentive** survey questionnaire lists 10 different objectives. The front-runner has always been "increase overall volume," chosen by 75 to 85 percent in most studies. This catchall objective is still the favorite but by smaller percentages. In this year's survey, 61 percent selected it. □

Dealer Incentives

Despite higher costs and lower sales results, marketers increase their dealer motivation expenditures.

The use of dealer incentives increased by 6.3 percent this year, almost matching the pace of sales-force motivation programs for the first time in five years. The estimated total for 1988 dealer expenditures is $2.7 billion.

The growth rate is an improvement from the early plans of users surveyed several months ago: They reported average budget increases of only 4.7 percent.

But users express disappointment in the results of dealer incentive campaigns this year. Not only do they report lower sales results, but results fell short of users' goals. In most years, the sales-gain trend exceeds goals by a little. This year, marketers set an average objective of 17.5 percent in added sales for their dealer programs. The final average result: 16.2 percent. Last year's average achievement was 18.4 percent.

In costs, the typical user came out the same as last year, spending a median 10 percent of incremental sales. But the average cost increased considerably, affecting a good number of companies: The average is up to 15 percent compared with 12 percent a year ago.

Incentive travel for dealers increased 5.9 percent over 1987, exactly what the users forecast in our early-year survey. The total travel outlay is estimated at about $928.6 million.

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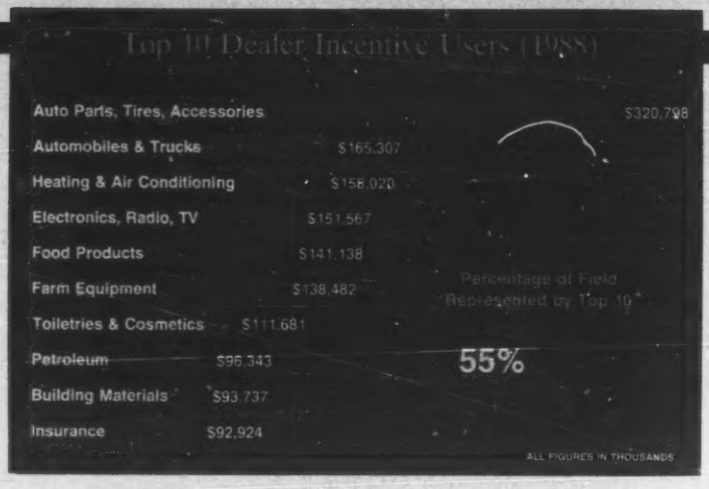

The average cost of a travel award rose to $2,221 per winning dealer—up approximately 24 percent from 1987. The median cost jumped to $1,775 from $1,500 last year.

count for the excess over early predictions. Instead of original budgeted increases of 4.1 percent, merchandise usage in the final estimates came to 6.5 percent more than last year.

Travel is where the major cost increases appear—and this is exacerbated by the fact that participation in travel programs increased from last year. In 1987, users reported about 46 percent of eligible dealers qualifying; this year, that figure is 52 percent—very close to the merchandise participation rate of 54 percent.

The cost per winner of a trip award rose to a new high of $2,221, up from $1,797 a year ago. The median jumped to $1,775 from $1,500.

Merchandise costs increased on average but declined in the median: to $50 from $60 last year.

Wholesalers and distributors were the largest target of these incentive campaigns, wooed by 56 percent of the survey respondents. About 39 percent directed their programs at retailers, 24 percent at commercial and industrial dealers, and 13 percent at service contractors.

There was a little churning in the top 10 user industries this year. The 1987 second-ranked electronics, radio and television group dropped to fourth position, as it decreased dealer incentive spending by 6.6 percent. Electric appliances, with a 5.8 percent increase in spending, dropped off the bottom of the list and was replaced by insurance, with an 18.5 percent jump.

This is the way the tabulated industries moved in their dealer expenditures this year:

Apparel	- 2.2%
Auto parts, tires, accessories	+23.8%
Automobiles & trucks	+ 4.3%
Banks and savings & loan	+ 4.9%
Beer, ale, soft drinks	+ 2.6%
Building materials	+ 6.3%
Detergents & cleansers	+ 3.4%
Electric appliances	+ 5.8%
Electrical & lighting equipment	- 4.2%
Electronics, radio, TV	- 6.6%
Farm equipment	+ 7.6%
Feed, fertilizer, farm supplies	- 1.9%
Food products	+ 7.7%
Furniture & floor coverings	+ 9.8%
Hardware	- 0.1%
Heating & air conditioning	+ 8.6%
Housewares & home furnishings	+ 8.6%
Industrial chemicals	- 0.7%
Insurance	+18.5%
Machinery & supplies	+11.8%
Office equipment	+ 4.6%
Paints & varnishes	+10.8%
Paper products & packaging	- 4.1%
Petroleum products	+ 0.6%
Pharmaceuticals	+ 0.7%
Public utilities	+ 0.8%
Publishers, printers, broadcasters	- 2.3%

CONTINUED ON PAGE 33

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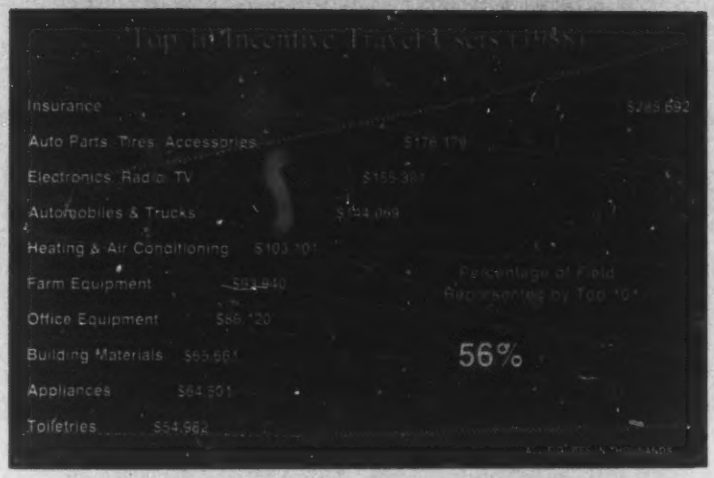
Sporting goods & toys	+ 6.7%
Toiletries & cosmetics	+ 7.0%
Distributors & wholesalers	+ 0.5%
Retailers	+ 1.8%

Of 10 objectives chosen by respondents, "increasing total sales volume" continues as the first choice. But, as with users of sales incentives, it is less dominant each year. This year, the surveyed users for the first time failed to return a majority for the easy overall objective: Only 49 percent checked it.

Two more-specific goals gained in favor: 34 percent chose "selling new accounts," and the same number use dealer incentives to "introduce new products." □



Incentive Travel

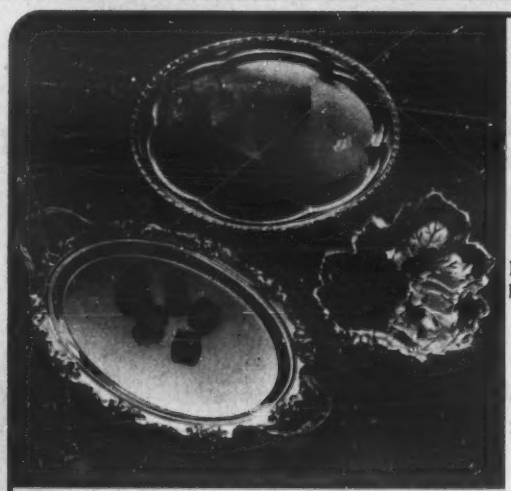
Spending is on the rise, but results are down and costs are up.

For dealer and sales incentive travel, this year has been one of moderate success—but with minor disappointments in results and costs.

In total, expenditures for incentive travel rose 4.7 percent from 1987, for a new estimate of $2.19 billion. The sales incentive segment gained only 3.8 percent to about $1.26 billion, while dealer promotions increased 5.9 percent to $928 million.

While spending shows fair gains, sales results from the programs are down. The overall travel survey finds a drop to 18.4 percent from last year's 20.8 percent.

At the same time, overall campaign costs and per-person trip costs are up. Both sales and dealer surveys show an average cost of 15 percent of incremental sales this year, compared with 12 percent a year ago. Although the medians remain at 10 percent, the higher average reflects a fair number of much more expensive programs. The special travel-only survey conducted earlier this year found a level cost of 11 percent of incremental sales



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There has been a little reshuffling among the top 10 users of incentive travel. Auto parts and farm equipment moved up, while electronics and office equipment were bumped down a notch.

in both years; this appears to result from the influence of more active and experienced travel users.

Those experienced users also hold the line on actual trip costs better than most. While sales incentive users say their per-person travel costs increased by $260 this year and dealer incentive users spent $111 more, the overall travel study shows a $27 decline in the average per-person expenditure.

Users of sales incentive travel reported an average of 33 percent earning awards, up four points from last year. The dealer promotion survey found 52 percent qualification, six points ahead of last year.

There has been a little reshuffling among the top 10 incentive travel users. Auto parts, with an increase in expenditures of 14.2 percent, has moved up to second position, bumping the electronics firms, who decreased usage by an estimated 6 percent. The seventh-ranked farm equipment industry increased its spending by 15.3 percent to move up to sixth place, ahead of office equipment, which expanded its usage by a mere 2.6 percent.

One other top-10 industry grew by double digits: Insurance, the largest user, increased 11.3 percent to more than $285 million in travel outlays.

Here is this year's trend in travel expenditure:

Apparel	+13.5%
Auto parts, tires, accessories	+14.2%
Automobiles & trucks	+ 5.0%
Banks, savings & loan	+ 7.1%
Beer, ale, soft drinks	+ 1.7%
Building materials	+ 3.3%
Detergents & cleansers	+ 5.8%
Electric appliances	+ 4.6%
Electrical & lighting equipment	+ 2.5%
Electronics, radio, TV	- 6.0%
Farm equipment	+15.3%
Feed, fertilizer, farm supplies	- 1.8%
Food products	+15.3%
Furniture & floor coverings	+ 3.0%
Hardware	+18.9%
Heating & air conditioning	- 3.5%
Housewares & home furnishings	+14.2%
Industrial chemicals	+ 4.9%
Insurance	+11.3%
Machinery & supplies	+11.9%
Office equipment	+ 2.6%
Paints & varnishes	+12.1%
Paper products & packaging	+ 0.6%
Petroleum products	—
Pharmaceuticals	+ 3.7%
Public utilities	+ 7.0%
Publishers, printers, broadcasters	+ 7.8%
Sporting goods & toys	+ 1.7%
Toiletries & cosmetics	+ 6.4%
Distributors & wholesalers	+ 3.9%
Retailers	+ 0.4%

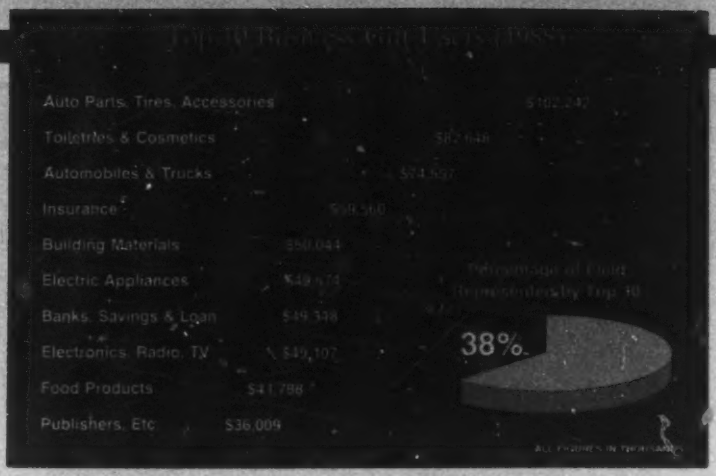
Business Gifts

The average cost of a business gift skyrocketed this year, but the median remains at $20.

The average cost of a business gift jumped to $75 this year, up from $56 a year ago. But it appears that very few companies offer gifts at that price level, since estimated expenditures rose only 4.3 percent to $1.55 billion.

The median gift price remains at $20, a more realistic level in the opinion of many givers and well under the $25 maximum that the Internal Revenue Service permits to be deducted as an expense for tax purposes.

Users turned out to be a little more generous than they anticipated earlier in the year when a special survey forecasted only a 2.6 percent rise in



expenditures for gifts.

Gift plans are less structured than incentive promotions, and more of the buying is done later in the year. Thus, it is easy for early budgets to turn out unrealistic.

However, more buying is being done earlier than in the past, as Christmas becomes a little less dominant. For many years, 85 percent or so of all gifts were bought for Christmas giving, but the percentage has slipped gradually over several years. The 1988 survey finds just 71 percent of gifts planned for Christmas use. There is an increasing variety of other occasions in recent reports—many of them more directly associated with sales activity than in the past.

Gift lists in that survey shrank slightly—to 480 from last year's 499 average number. More than 70 percent of respondents said they planned to stand pat on spending levels this year, while only 24 percent said they would spend more than last year.

The top 10 user industries are the same this year, but two have moved up in usage. Seventh- and eighth-ranked electric appliances and building materials upped their gift buying by 5 percent and 9.1 percent—enough to move ahead of banks and electronics in the standings.

Only one of the top 10, the second-place toiletries industry, increased expenditures by double digits—up 12.9 percent over 1987. Three other areas of large growth in gift usage are detergents and cleansers, up 13.9 percent; beer, ale and soft drinks, up 12.5 percent, and housewares and home furnishings, up 10.7 percent.

On the minus side, six industries reduced their gift expenditures this year: banks and savings & loan; electronics; feed, fertilizer and farm supplies; industrial chemicals; insurance, and sporting goods and toys.

Here is the lineup of changes in business gift purchases this year:

Apparel	+ 5.6%
Auto parts, tires, accessories	+ 0.6%
Automobiles & trucks	+ 9.3%
Banks and savings & loan	- 0.7%
Beer, ale, soft drinks	+12.5%

Building materials	+ 9.1%
Detergents & cleansers	+13.9%
Electric appliances	+ 5.0%
Electrical & lighting equipment	+ 3.2%
Electronics, radio, TV	- 0.5%
Farm equipment	+ 5.9%
Feed, fertilizer, farm supplies	- 1.8%
Food products	+ 0.3%
Furniture & floor coverings	+ 3.1%
Hardware	+ 4.5%
Heating & air conditioning	+ 3.3%
Housewares & home furnishings	+10.7%
Industrial chemicals	- 2.1%
Insurance	- 2.5%
Machinery & supplies	+ 2.4%
Office equipment	+ 6.0%
Paints & varnishes	+ 4.8%
Paper products & packaging	+ 0.2%
Petroleum products	+ 6.7%
Pharmaceuticals	+ 4.1%
Public utilities	+ 4.1%
Publishers, printers, broadcasters	+ 4.2%
Sporting goods & toys	- 0.4%
Toiletries & cosmetics	+12.9%
Distributors & wholesalers	+ 2.4%
Retailers	+ 8.3%

Employee Awards

With an ever-sharpening focus on productivity in American business, incentive awards for non-sales employees are a fast-growing management tool.

Although no complete estimate of the use of such incentives has been made, **Incentive**'s first survey of the subject offers insight. More than 230 companies participated, and 215 of them provided estimates of their employee award budgets for 1987 and 1988.

Companies spend an average of $72,000 a year on employee incentives.

In total dollar expenditures, this survey shows that the respondents invest an average of $72,000 a year in employee motivation incentives. The year-to-year trend shows an 8.4 percent increase. **MORE ON PAGE 38**

EMPLOYEE AWARD EXPENDITURES

1988 REPORTS OF 215 COMPANIES

Type of Award	Production Personnel	Service Personnel
▶ Merchandise	$4,102,000	$1,894,000
▶ Travel	842,000	1,415,000
▶ Recognition	1,027,000	579,000
▶ Cash	742,000	4,904,000
TOTAL	$6,713,000	$8,792,000

HOW TO REWARD TOWERING ACHIEVEMENTS.

Towering achievements deserve monumental rewards. And that's where Northwest enters the picture. We'll take your top achievers to dream destinations, like Hong Kong, Bangkok, Great Britain, Ireland, the Netherlands, Scandinavia, Canada, and Mexico. We also serve over 200 domestic destinations, including California, Hawaii, and Florida.

But there's more to Northwest than an extensive route system. We have a staff of incentive professionals who understand incentive travel and can smooth the planning process. And of course, all fares are competitive and guaranteed.

If you're planning incentive travel, talk to the professionals at Northwest. Phone 1-800-328-7747 (International Travel) or 1-800-328-2216 (Domestic Travel). And give your top achievers an opportunity to reach greater heights.

Circle No. 139 on Buyer Action Card

There is sharp division in the matter of cash versus other awards, with cash predominating for office and service employees and merchandise running far ahead for factory production workers. Overall, 39 percent of expenditures is for merchandise, 36 percent for cash, 15 percent for travel and 10 percent for recognition awards like plaques, jewelry and the like.

Seventy-two percent of surveyed executives have continuous award programs. Those who don't go year-round average two campaigns per year of nine weeks' duration.

The average award costs $423, with a median of $100. Sixteen percent of the companies give individual awards of $1,000 or more.

Individual performance is the major criterion used to determine winners of awards, but a healthy 28 percent of cases involve incentives based on team productivity.

Office productivity is the primary goal of 49 percent, with plant productivity a close second at 42 percent. Safety, suggestions, quality control, length of service and attendance follow in that order. □

MANUFACTURING INDUSTRIES

	EXPENDITURES 1988		EXPENDITURES 1987	
■ APPAREL	**$60,399,000**	**+ 6.2%**	**$56,862,000**	**+ 7.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 16,986,000	+16.5%	$ 14,580,000	+21.1%
Travel	$ 4,389,000	+15.4%	$ 3,803,000	+22.4%
Dealer Merchandise	$ 7,952,000	- 2.1%	$ 8,123,000	+ 0.1%
Travel	$ 413,000	- 3.7%	$ 429,000	+33.2%
▶ BUSINESS GIFTS	$ 10,904,000	+ 5.6%	$ 10,326,000	+ 1.5%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 9,154,000	+ 7.1%	$ 8,547,000	+ 3.8%
Other Premiums	$ 10,601,000	- 4.1%	$ 11,054,000	+ 0.4%
■ AUTO PARTS, TIRES, ACCESSORIES	**$857,892,000**	**+14.1%**	**$751,611,000**	**+ 8.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 234,787,000	+13.2%	$ 207,409,000	+10.2%
Travel	$ 102,552,000	+14.0%	$ 89,958,000	+ 8.5%
Dealer Merchandise	$ 247,171,000	+26.9%	$ 194,776,000	+ 6.9%
Travel	$ 73,627,000	+14.5%	$ 64,303,000	+ 2.1%
▶ BUSINESS GIFTS	$ 102,242,000	+ 0.6%	$ 101,632,000	+ 7.4%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 74,044,000	+ 5.4%	$ 70,250,000	+16.2%
Other Premiums	$ 23,469,000	+ 0.8%	$ 23,283,000	+ 2.1%
■ AUTOMOBILES & TRUCKS	**$444,780,000**	**+ 9.2%**	**$407,238,000**	**+ 1.8%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 175,998,000	+15.9%	$ 151,854,000	+ 1.9%
Travel	$ 26,333,000	+ 1.4%	$ 25,969,000	+ 1.4%
Dealer Merchandise	$ 47,571,000	+ 0.6%	$ 47,287,000	+ 0.5%
Travel	$ 117,736,000	+ 5.9%	$ 111,178,000	+ 2.4%
▶ BUSINESS GIFTS	$ 74,557,000	+ 9.3%	$ 68,213,000	+ 1.6%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 1,230,000	- 0.9%	$ 1,352,000	+ 6.3%
Other Premiums	$ 1,355,000	- 2.2%	$ 1,385,000	+ 7.1%
■ BEER, ALE & SOFT DRINKS	**$241,017,000**	**+10.0%**	**$219,177,000**	**+ 7.4%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 61,577,000	+21.7%	$ 50,597,000	+12.1%
Travel	$ 12,354,000	+ 0.9%	$ 12,244,000	+ 2.2%
Dealer Merchandise	$ 25,913,000	+ 2.4%	$ 25,306,000	+11.1%
Travel	$ 5,938,000	+ 3.3%	$ 5,748,000	+ 9.1%
▶ BUSINESS GIFTS	$ 10,701,000	+12.5%	$ 9,512,000	- 12.0%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 76,155,000	+ 9.2%	$ 69,739,000	+10.5%
Other Premiums	$ 48,379,000	+ 5.1%	$ 46,031,000	+ 2.4%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ BUILDING MATERIALS	**$338,162,000**	**+ 6.1%**	**$318,577,000**	**+ 8.7%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 121,986,000	+ 5.4%	$ 115,736,000	+11.7%
Travel	$ 35,232,000	+ 2.3%	$ 34,440,000	+ 7.6%
Dealer Merchandise	$ 63,308,000	+ 7.2%	$ 59,056,000	- 1.0%
Travel	$ 30,429,000	+ 4.5%	$ 29,119,000	+ 9.8%
▶ BUSINESS GIFTS	$ 50,044,000	+ 9.1%	$ 45,870,000	+20.0%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 15,313,000	+15.8%	$ 13,224,000	+ 9.2%
Other Premiums	$ 21,850,000	+ 3.4%	$ 21,132,000	+ 0.2%
■ DETERGENTS & CLEANSERS	**$224,550,000**	**+ 5.1%**	**$213,748,000**	**+ 5.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 66,029,000	+ 2.5%	$ 64,419,000	+ 1.4%
Travel	$ 2,967,000	+ 1.4%	$ 2,926,000	+ 1.9%
Dealer Merchandise	$ 30,692,000	+ 2.9%	$ 29,827,000	+ 4.2%
Travel	$ 766,000	+27.4%	$ 601,000	+ 4.2%
▶ BUSINESS GIFTS	$ 9,628,000	+13.9%	$ 8,453,000	+ 6.7%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 74,236,000	+ 7.1%	$ 69,315,000	+ 9.0%
Other Premiums	$ 40,232,000	+ 5.3%	$ 38,207,000	+ 6.4%
■ ELECTRIC APPLIANCES	**$214,384,000**	**+ 3.2%**	**$207,654,000**	**+ 3.4%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 32,210,000	+ 6.4%	$ 30,273,000	+ 0.7%
Travel	$ 13,042,000	- 4.2%	$ 13,614,000	+ 2.6%
Dealer Merchandise	$ 32,358,000	+ 3.9%	$ 31,143,000	+ 7.5%
Travel	$ 51,459,000	+ 7.1%	$ 48,048,000	+ 0.3%
▶ BUSINESS GIFTS	$ 49,574,000	+ 5.0%	$ 47,213,000	+ 1.9%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 19,088,000	- 8.7%	$ 20,907,000	+13.5%
Other Premiums	$ 16,653,000	+ 1.2%	$ 16,456,000	+ 3.7%
■ ELECTRIC & LIGHTING EQUIPMENT	**$126,769,000**	**- 0.4%**	**$127,305,000**	**+ 9.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 21,570,000	+ 7.0%	$ 20,159,000	+ 5.2%
Travel	$ 8,562,000	- 8.4%	$ 9,347,000	+ 4.7%
Dealer Merchandise	$ 38,362,000	- 9.2%	$ 42,249,000	+18.1%
Travel	$ 14,940,000	+10.0%	$ 13,582,000	+ 6.0%
▶ BUSINESS GIFTS	$ 29,538,000	+ 3.2%	$ 28,622,000	+ 5.1%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,763,000	+ 2.4%	$ 5,628,000	+ 0.3%
Other Premiums	$ 8,034,000	+ 4.1%	$ 7,718,000	+ 9.8%
■ ELECTRONICS, RADIO & TV	**$476,813,000**	**+ 3.3%**	**$461,711,000**	**+ 7.9%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 179,614,000	+19.6%	$ 150,179,000	+10.1%
Travel	$ 51,313,000	- 7.7%	$ 55,594,000	+13.2%
Dealer Merchandise	$ 47,579,000	- 9.8%	$ 52,748,000	+11.4%
Travel	$ 103,988,000	- 5.1%	$ 109,576,000	+ 1.6%
▶ BUSINESS GIFTS	$ 49,107,000	- 0.5%	$ 49,354,000	+10.9%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 15,097,000	-11.1%	$ 16,982,000	+ 2.1%
Other Premiums	$ 30,115,000	+10.4%	$ 27,278,000	+ 4.9%

	EXPENDITURES 1988		EXPENDITURES 1987	
FARM EQUIPMENT	**$216,467,000**	**+ 7.1%**	**$202,065,000**	**+ 1.4%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 26,868,000	+ 2.2%	$ 26,290,000	+ 8.1%
Travel	$ 28,237,000	+11.0%	$ 25,439,000	+ 3.2%
Dealer Merchandise	$ 72,779,000	+ 0.2%	$ 72,634,000	+ 2.0%
Travel	$ 65,703,000	+17.2%	$ 56,061,000	- 3.1%
▶ BUSINESS GIFTS	$ 13,881,000	+ 5.9%	$ 13,108,000	+ 0.6%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,393,000	+ 4.2%	$ 4,216,000	+ 4.1%
Other Premiums	$ 4,606,000	+ 6.7%	$ 4,317,000	+ 2.5%
FEED, FERTILIZER & FARM SUPPLIES	**$195,182,000**	**- 0.4%**	**$195,945,000**	**- 6.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 35,888,000	+ 5.1%	$ 34,147,000	- 0.6%
Travel	$ 14,792,000	- 9.5%	$ 16,345,000	+10.3%
Dealer Merchandise	$ 43,747,000	- 4.7%	$ 45,905,000	- 11.8%
Travel	$ 25,156,000	+ 3.3%	$ 24,352,000	+ 6.9%
▶ BUSINESS GIFTS	$ 13,164,000	- 1.8%	$ 13,405,000	- 9.9%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,253,000	- 1.2%	$ 18,475,000	+ 9.1%
Other Premiums	$ 44,182,000	+ 2.0%	$ 43,316,000	- 18.3%
FOOD PRODUCTS	**$1,557,350,000**	**+ 3.9%**	**$1,499,291,000**	**+ 5.5%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 190,850,000	+10.3%	$ 173,028,000	+ 0.5%
Travel	$ 35,293,000	+14.5%	$ 30,824,000	+ 1.1%
Dealer Merchandise	$ 128,926,000	+ 6.8%	$ 120,717,000	+ 1.0%
Travel	$ 12,212,000	+17.8%	$ 10,367,000	+16.4%
▶ BUSINESS GIFTS	$ 41,788,000	+ 0.3%	$ 41,663,000	+ 1.0%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 625,216,000	+ 3.2%	$ 605,829,000	+ 6.0%
Other Premiums	$ 523,065,000	+ 1.2%	$ 516,863,000	+ 8.2%
FURNITURE & FLOOR COVERINGS	**$94,193,000**	**+ 7.0%**	**$88,042,000**	**+ 8.8%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 15,082,000	+ 4.2%	$ 14,474,000	+10.0%
Travel	$ 3,934,000	+ 0.6%	$ 3,911,000	+ 5.9%
Dealer Merchandise	$ 40,102,000	+12.9%	$ 35,520,000	+11.2%
Travel	$ 18,106,000	+ 3.5%	$ 17,494,000	+ 4.1%
▶ BUSINESS GIFTS	$ 7,514,000	+ 3.1%	$ 7,288,000	+13.2%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,487,000	+ 1.2%	$ 5,422,000	+ 3.9%
Other Premiums	$ 3,968,000	+ 0.9%	$ 3,933,000	+ 6.2%
HARDWARE	**$35,341,000**	**+11.4%**	**$31,724,000**	**- 3.6%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 10,133,000	+28.2%	$ 7,904,000	- 9.2%
Travel	$ 2,682,000	+22.4%	$ 2,191,000	- 6.4%
Dealer Merchandise	$ 9,291,000	- 1.3%	$ 9,413,000	+ 1.8%
Travel	$ 1,109,000	+11.1%	$ 998,000	+11.9%
▶ BUSINESS GIFTS	$ 2,326,000	+ 4.5%	$ 2,226,000	- 4.7%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,015,000	+ 2.9%	$ 4,874,000	- 6.5%
Other Premiums	$ 4,785,000	+16.2%	$ 4,118,000	- 1.7%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ HEATING & AIR CONDITIONING	**$295,833,000**	**+ 7.0%**	**$276,584,000**	**+ 6.5%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 41,115,000	+17.6%	$ 34,962,000	+ 1.9%
Travel	$ 49,171,000	- 0.8%	$ 49,568,000	+ 7.7%
Dealer Merchandise	$ 104,090,000	+18.0%	$ 88,212,000	+ 1.2%
Travel	$ 53,930,000	- 5.9%	$ 57,311,000	+ 8.8%
▶ BUSINESS GIFTS	$ 27,826,000	+ 3.3%	$ 26,937,000	+27.9%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,806,000	+ 1.2%	$ 6,725,000	+ 8.3%
Other Premiums	$ 12,895,000	+ 0.2%	$ 12,869,000	+ 5.2%
■ HOUSEWARES & HOME FURNISHINGS	**$211,258,000**	**+ 4.4%**	**$202,278,000**	**+ 8.8%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 51,878,000	+ 0.1%	$ 51,826,000	+18.2%
Travel	$ 9,030,000	+17.3%	$ 7,698,000	+ 2.3%
Dealer Merchandise	$ 25,352,000	+ 8.0%	$ 23,474,000	+10.4%
Travel	$ 7,260,000	+10.6%	$ 6,564,000	+ 6.9%
▶ BUSINESS GIFTS	$ 19,360,000	+10.7%	$ 17,489,000	+ 2.1%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,364,000	+ 2.0%	$ 6,239,000	+ 7.1%
Other Premiums	$ 92,014,000	+ 3.4%	$ 88,988,000	+ 5.8%
■ INDUSTRIAL CHEMICALS	**$112,109,000**	**+ 2.8%**	**$109,051,000**	**+11.5%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 22,060,000	+15.6%	$ 19,083,000	+15.2%
Travel	$ 6,910,000	+ 7.5%	$ 6,428,000	- 0.7%
Dealer Merchandise	$ 38,046,000	- 1.1%	$ 38,469,000	+16.5%
Travel	$ 7,548,000	+ 2.6%	$ 7,357,000	+ 2.1%
▶ BUSINESS GIFTS	$ 18,853,000	- 2.1%	$ 19,257,000	+10.4%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,660,000	+ 2.1%	$ 4,564,000	+15.4%
Other Premiums	$ 14,032,000	+ 1.0%	$ 13,893,000	+ 5.9%
■ MACHINERY & SUPPLIES	**$157,118,000**	**+ 9.7%**	**$143,161,000**	**+ 3.1%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 67,396,000	+13.9%	$ 59,171,000	- 2.4%
Travel	$ 30,899,000	+10.2%	$ 28,039,000	+ 3.8%
Dealer Merchandise	$ 8,883,000	+ 5.8%	$ 8,396,000	+11.5%
Travel	$ 13,835,000	+16.0%	$ 11,927,000	+13.2%
▶ BUSINESS GIFTS	$ 23,740,000	+ 2.4%	$ 23,184,000	+ 8.3%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,852,000	- 2.5%	$ 7,028,000	+ 6.2%
Other Premiums	$ 5,513,000	+ 1.8%	$ 5,416,000	+ 5.6%
■ OFFICE EQUIPMENT	**$287,788,000**	**+ 3.1%**	**$279,170,000**	**+ 5.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 56,142,000	+ 0.3%	$ 55,974,000	+ 0.9%
Travel	$ 65,713,000	+ 2.5%	$ 64,110,000	+ 1.2%
Dealer Merchandise	$ 33,291,000	+ 5.6%	$ 31,526,000	+11.9%
Travel	$ 20,407,000	+ 3.1%	$ 19,793,000	+13.8%
▶ BUSINESS GIFTS	$ 31,582,000	+ 6.0%	$ 29,794,000	+ 4.5%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,845,000	+ 2.4%	$ 10,591,000	+ 4.6%
Other Premiums	$ 69,808,000	+ 3.6%	$ 67,382,000	+ 8.0%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ PAINTS & VARNISHES	**$70,476,000**	**+ 9.0%**	**$64,658,000**	**+ 6.0%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 15,911,000	+ 2.5%	$ 15,523,000	+ 4.0%
Travel	$ 5,751,000	+16.4%	$ 4,941,000	+ 5.8%
Dealer Merchandise	$ 13,877,000	+11.4%	$ 12,457,000	+15.0%
Travel	$ 11,526,000	+10.1%	$ 10,469,000	+ 4.2%
▶ BUSINESS GIFTS	$ 2,685,000	+ 4.8%	$ 2,562,000	+ 8.8%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 14,614,000	+12.4%	$ 12,999,000	+ 2.9%
Other Premiums	$ 6,112,000	+ 7.1%	$ 5,707,000	+ 3.6%
■ PAPER PRODUCTS & PACKAGING	**$84,606,000**	**+ 4.4%**	**$81,078,000**	**+ 0.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 10,876,000	+ 1.5%	$ 10,715,000	+ 0.3%
Travel	$ 10,274,000	+ 0.4%	$ 10,233,000	+ 1.1%
Dealer Merchandise	$ 9,647,000	- 6.5%	$ 10,318,000	- 4.5%
Travel	$ 5,005,000	+ 1.1%	$ 4,951,000	+ 2.8%
▶ BUSINESS GIFTS	$ 12,029,000	+ 0.2%	$ 12,005,000	+ 2.8%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 20,245,000	+10.6%	$ 18,305,000	+ 0.4%
Other Premiums	$ 16,530,000	+13.6%	$ 14,551,000	+ 0.1%
■ PETROLEUM PRODUCTS	**$294,990,000**	**+ 2.2%**	**$288,534,000**	**+10.3%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 62,093,000	+ 2.9%	$ 60,343,000	+ 5.4%
Travel	$ 16,075,000	+ 0.2%	$ 16,043,000	+ 8.2%
Dealer Merchandise	$ 82,026,000	+ 0.8%	$ 81,375,000	+13.5%
Travel	$ 14,317,000	- 0.4%	$ 14,374,000	+ 2.8%
▶ BUSINESS GIFTS	$ 16,719,000	+ 6.7%	$ 15,669,000	+ 4.7%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 40,197,000	+ 4.5%	$ 38,466,000	+ 9.8%
Other Premiums	$ 63,572,000	+ 2.1%	$ 62,264,000	+15.6%
■ PHARMACEUTICALS	**$191,776,000**	**+5.5%**	**$181,841,000**	**+ 5.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 58,513,000	+11.0%	$ 52,714,000	+ 1.0%
Travel	$ 16,252,000	+ 4.9%	$ 15,493,000	+ 9.8%
Dealer Merchandise	$ 24,331,000	+ 0.3%	$ 24,258,000	+11.0%
Travel	$ 10,004,000	+ 1.7%	$ 9,837,000	+ 8.7%
▶ BUSINESS GIFTS	$ 34,341,000	+ 4.1%	$ 32,988,000	+ 6.7%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 24,005,000	+ 7.1%	$ 22,414,000	+ 7.4%
Other Premiums	$ 24,330,000	+ 0.8%	$ 24,137,000	+ 0.9%
■ SPORTING GOODS & TOYS	**$55,817,000**	**+ 5.1%**	**$53,084,000**	**+ 7.7%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 9,512,000	+ 7.4%	$ 8,857,000	+14.8%
Travel	$ 6,712,000	+ 2.1%	$ 6,574,000	+ 9.1%
Dealer Merchandise	$ 10,656,000	+ 9.3%	$ 9,749,000	+ 4.7%
Travel	$ 4,599,000	+ 1.0%	$ 4,553,000	+ 3.8%
▶ BUSINESS GIFTS	$ 2,790,000	- 0.4%	$ 2,801,000	+ 8.2%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,520,000	+ 4.5%	$ 10,067,000	+ 6.3%
Other Premiums	$ 11,028,000	+ 5.2%	$ 10,483,000	+ 6.9%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ TOILETRIES & COSMETICS	**$961,511,000**	**+10.4%**	**$871,065,000**	**+ 9.2%**
► TRADE INCENTIVES				
Sales-Force Merchandise	$ 303,414,000	+ 9.2%	$ 277,852,000	+15.2%
Travel	$ 38,870,000	+ 5.2%	$ 36,949,000	+ 2.1%
Dealer Merchandise	$ 95,569,000	+ 6.6%	$ 89,652,000	+ 0.6%
Travel	$ 16,112,000	+ 9.4%	$ 14,728,000	+11.4%
► BUSINESS GIFTS	$ 82,648,000	+12.9%	$ 73,205,000	+ 7.1%
► CONSUMER PREMIUMS				
Mail-In Promotions	$ 205,371,000	+13.3%	$ 181,263,000	+ 6.4%
Other Premiums	$ 219,527,000	+11.2%	$ 197,416,000	+10.2%
■ MISCELLANEOUS MANUFACTURES	**$811,278,000**	**+ 5.7%**	**$767,218,000**	
► TRADE INCENTIVES				
Sales-Force Merchandise	$ 134,433,000	+ 5.8%	$ 127,063,000	
Travel	$ 35,912,000	+ 8.2%	$ 33,190,000	
Dealer Merchandise	$ 124,280,000	+ 5.3%	$ 118,025,000	
Travel	$ 27,794,000	+12.4%	$ 24,728,000	
► BUSINESS GIFTS	$ 82,775,000	+10.1%	$ 75,182,000	
► CONSUMER PREMIUMS				
Mail-In Promotions	$ 144,792,000	+ 4.9%	$ 138,029,000	
Other Premiums	$ 261,292,000	+ 4.1%	$ 251,001,000	

SERVICE INDUSTRIES

	EXPENDITURES 1988		EXPENDITURES 1987	
■ BANKS AND SAVINGS & LOAN	**$210,674,000**	**+ 2.6%**	**$205,292,000**	**+ 0.6%**
► TRADE INCENTIVES				
Sales-Force Merchandise	$ 39,238,000	+ 2.3%	$ 38,356,000	+10.8%
Travel	$ 2,556,000	+ 7.4%	$ 2,380,000	+ 1.3%
Dealer Merchandise	$ 2,180,000	+ 4.9%	$ 2,078,000	- 2.0%
Travel	$ 369,000	+ 5.2%	$ 351,000	- 12.0%
► BUSINESS GIFTS	$ 49,348,000	- 0.7%	$ 49,696,000	+ 6.6%
► CONSUMER PREMIUMS				
Mail-In Promotions	$ 19,230,000	+ 2.3%	$ 18,798,000	- 6.6%
Other Premiums	$ 97,753,000	+ 4.4%	$ 93,633,000	- 4.4%
■ DISTRIBUTORS & WHOLESALERS	**$1,366,746,000**	**+ 2.6%**	**$1,350,928,000**	**+10.7%**
► TRADE INCENTIVES				
Sales-Force Merchandise	$ 397,207,000	- 1.1%	$ 401,625,000	+ 9.7%
Travel	$ 32,388,000	+ 8.0%	$ 29,989,000	+11.9%
Dealer Merchandise	$ 149,918,000	+ 0.5%	$ 149,172,000	+13.4%
Travel	$ 21,820,000	+ 0.8%	$ 21,647,000	+ 9.2%
► BUSINESS GIFTS	$ 238,502,000	+ 2.4%	$ 232,912,000	+11.4%
► CONSUMER PREMIUMS				
Mail-In Promotions	$ 302,433,000	+ 1.9%	$ 296,794,000	+ 9.2%
Other Premiums	$ 224,478,000	+ 2.6%	$ 218,789,000	+12.3%

	EXPENDITURES 1988		EXPENDITURES 1987	
■ INSURANCE	**$684,648,000**	**+10.0%**	**$622,454,000**	**+ 6.5%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 237,279,000	+12.9%	$ 210,167,000	+ 6.1%
Travel	$ 207,513,000	+ 8.2%	$ 191,735,000	+10.9%
Dealer Merchandise	$ 14,745,000	+10.2%	$ 13,380,000	+ 4.2%
Travel	$ 78,179,000	+20.2%	$ 65,041,000	+ 8.9%
▶ BUSINESS GIFTS	$ 59,560,000	- 2.5%	$ 61,087,000	+ 2.4%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 77,544,000	+ 6.9%	$ 72,539,000	+ 0.3%
Other Premiums	$ 8,828,000	+ 3.8%	$ 8,505,000	- 2.4%
■ PUBLIC UTILITIES	**$27,113,000**	**+ 4.3%**	**$26,001,000**	**+ 4.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 6,958,000	+ 4.4%	$ 6,665,000	+ 8.6%
Travel	$ 3,227,000	+ 7.5%	$ 3,002,000	- 2.1%
Dealer Merchandise	$ 3,142,000	+ 0.6%	$ 3,123,000	+ 4.3%
Travel	$ 367,000	+ 2.8%	$ 357,000	- 1.0%
▶ BUSINESS GIFTS	$ 2,689,000	+ 4.1%	$ 2,583,000	+ 0.1%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,481,000	+ 3.6%	$ 5,291,000	+ 5.2%
Other Premiums	$ 5,249,000	+ 5.4%	$ 4,980,000	+ 3.9%
■ PUBLISHERS, PRINTERS & BROADCASTERS	**$288,097,000**	**+ 4.8%**	**$274,948,000**	**+ 8.8%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 101,289,000	+ 4.4%	$ 97,020,000	+13.2%
Travel	$ 19,850,000	+10.8%	$ 17,915,000	+ 4.0%
Dealer Merchandise	$ 12,840,000	- 2.5%	$ 13,169,000	+10.5%
Travel	$ 5,432,000	- 1.8%	$ 5,532,000	+ 1.2%
▶ BUSINESS GIFTS	$ 36,009,000	+ 4.2%	$ 34,558,000	+ 4.4%
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 76,756,000	+ 5.2%	$ 72,962,000	+ 8.7%
Other Premiums	$ 35,921,000	+ 6.3%	$ 33,792,000	+ 5.3%
■ RETAILERS	**$2,589,189,000**	**+ 3.0%**	**$2,512,990,000**	**+ 4.2%**
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 426,508,000	+ 3.8%	$ 410,894,000	
Travel	$ 270,250,000	+ 0.3%	$ 269,442,000	
Dealer Merchandise	$ 49,307,000	+ 2.1%	$ 48,293,000	
Travel	$ 38,539,000	+ 1.4%	$ 38,007,000	
▶ BUSINESS GIFTS	$ 209,775,000	+ 8.3%	$ 193,698,000	
▶ CONSUMER PREMIUMS				
Sweepstakes & Games	$ 198,032,000	+ 6.5%	$ 185,946,000	
Direct Premiums, Trading Stamps	$ 1,396,778,000	+ 2.2%	$ 1,366,710,000	
■ MISCELLANEOUS SERVICES	**$939,373,000**	**+ 7.2%**	**$876,275,000**	
▶ TRADE INCENTIVES				
Sales-Force Merchandise	$ 265,295,000	+ 7.2%	$ 247,477,000	
Travel	$ 100,749,000	+ 3.8%	$ 97,061,000	
Dealer Merchandise	$ 130,421,000	+ 7.8%	$ 120,984,000	
Travel	$ 75,027,000	+10.5%	$ 67,869,000	
▶ BUSINESS GIFTS	$ 135,125,000	+ 0.5%	$ 134,453,000	
▶ CONSUMER PREMIUMS				
Mail-In Promotions	$ 171,420,000	+14.1%	$ 150,237,000	
Other Premiums	$ 61,336,000	+ 5.4%	$ 58,194,000	

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APRIL 1989

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

Divide and conquer?

UPDATE ON Regional Marketing

PLUS

- Sizing up your purchasing agents
- Managing mergers
- Creative licensing
- Dealer FACTS survey

A BILL PUBLICATION

APRIL 1989

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APPLAUSE

Promotions with character: Disney and Sesame Street licenses are among the most popular.

Want to add cachet to your promotional items? Consider the drawing power of a licensed character or well-known corporate logo.

Creative Licensing

BY MICHAEL GATES

Think you could get Stone Age family man Fred Flintstone to help you sell hamburgers? Would middle-manager of tomorrow George Jetson lend his instant name and face recognition to your software marketing efforts?

If you have a well-conceived campaign with high-quality incentive items planned, the answer is likely to be yes. Fictional characters may be starring in more promotions than real live celebrities these days, as one part of the multi-million-dollar character licensing industry. And the companies that own the rights to these fantasy pitchmen are anxious to license the likenesses to programs they perceive as compatible with the properties.

Cartoon personalities are only one aspect of this lucrative and complex business. Increasingly, corporations are licensing their good names and iconic logos for use on everything from gourmet coffee to giveaway beach towels. Welcome to a world of borrowed identities and adroit promotional match-ups.

"Say you're trying to sell toothpaste or French fries," says Ken Strottman, president of character licensing concern Strottman Marketing in Irvine, Calif. "You already have brand equity for your product, but through licensing, you can borrow more from somebody else. It adds value and creates a point of difference."

Adds Nancy Bailey, president of the Nancy Bailey Company, a corporate licensing agency in New York, "The major advantage is the immediate recognition generated by a brandname. It can add instant value if you license it. In the old days, companies used to create a name [for a product], then promote it. It took tremendous expense and time to create consumer awareness." For many products today, Bailey argues, it makes more sense to license the name of an already well-established brand and use it to add cachet.

The same technique can be applied to promotional items. Instead of giving away generic drinking glasses with each purchase—doesn't everyone already own a cupboard full?—you can offer cups imprinted with characters from a current film with a similar target audience. That is what Wendy's International Inc., Dublin, Ohio, did last year when it offered its fast-food customers glasses imprinted with figures from the family film "Willow," licensed by Lucasfilm Ltd., San Rafael, Calif.

Other examples: The New York-based Bristol-Myers Company licensed the Care Bears from a firm called Those Characters From Cleveland Inc. to use on a set of children's games it offered to consumers of personal care items. In a campaign aimed at dealers, Mars Inc., McLean, Va., used Snoopy as the central graphic element for its "Packed With Peanuts" display contest for Snickers bars. United Feature Syndicate Inc. in New York granted the license.

According to Jack Morrow, licensing vice president at the Applause Gift Company, Woodland Hills, Calif., an astute licensing program instills excitement in salespeople and retailers. If all else is equal, a promotional product with a recognizable name or character attached is

simply "an easier sell," he notes.

The key to successful licensing is "appropriateness," says Morrow. "You've got to know who the character is intended for, what exposure it will get, and how that exposure will be built and maintained." He stresses a proper match between the product and the license. "The closer the marriage, the greater the success," says licensing agent Bailey.

This is where that most useful of marketing tools—demographics—becomes essential. "Whom does the licensed entity appeal to?" is the first question that anyone contemplating a specific character or other property for promotional use must answer.

At the Norwalk, Conn.-based James River Corporation, maker of Dixie cups and dispensers, assistant product manager for kitchen cups Laurie Kopp depends on extensive survey data when selecting characters for her products. Though she buys licensed properties for the company's actual products—not promotional giveaways—her evaluation techniques and criteria could easily be applied to incentive items.

The company subscribes to Cartoon Q, a biannual publication put out by Marketing Evaluations Inc., Port Washington, N.Y., that evaluates the familiarity of hundreds of characters—among them, Garfield the Cat, Charlie the Tuna, Gumby and the Flintstones—by assigning a Q score to each, determined through a survey of 1,000 households. The demographic appeal of each character also is determined by the survey.

Kopp and her colleagues also "look at a lot of catalogues" and keep abreast of the latest offerings through toy and licensing trade publications.

"We look for appeal to mothers and kids ages six to 12," says Kopp. Because Dixie cups are not sex-specific, the company tries to find characters "that are not skewed male or female," she reports. "We want a wholesome appeal. Alf [an extraterrestrial television character], for example, is too obnoxious." Characters for Dixie also must be "adaptable to the size of the cup," she says, and should not depend on strong colors that might overwhelm the product: "The California Raisins are too purple."

WHAT'S SELLING

PROPERTY TYPE	PERCENT OF 1988 SALES	SALES (in billions)
Trademarks/Brand Names	31.0	$18.5
Cartoon Characters	18.4	11.0
Sports	13.4	8.0
Designers	10.0	6.0
Art (fine, graphic, etc.)	9.0	5.4
Celebrities	6.5	3.9
Theatrical Films/Plays	4.2	2.5
Publishing	3.0	1.8
Television Programs	2.5	1.5
Music	1.0	0.6
Miscellaneous	1.0	0.6
		TOTAL 59.8

Total 1988 sales of licensed properties for all uses. Source: The Licensing Letter, Scottsdale, Ariz.

Focus groups also can be used to determine the suitability of a licensed property. And there is an annual trade show, where marketers can pick up information, sponsored by the New York-based Licensing Industry Merchandisers' Association. Most of the major licensors showcase their wares here, including comic book publishers, motion picture and television studios, sports leagues, independent character developers and comic strip superpowers like King Features Syndicate and United Media. The exhibitors generally have demographic backup material for each property.

Occasionally, a product/license match-up is such a natural that little research need go into the decision. What better combination, for example, than a line of men's fashion underwear and the logo of the Bronx, N.Y.-based Everlast Sporting Goods Manufacturing Company—which invented boxer shorts in the early 1920's? That at least was the thinking of Chano International, a New York-headquartered apparel manufacturer. "Everlast was the originator of boxer shorts, and we can claim to be selling the original boxer shorts in our advertising," says Chano spokesperson Eli Harari. "It's not a fad label, which might be short-lived. It's very strong with sporting good stores."

Sports-related logos frequently figure in promotions as well. Major professional sporting associations license their logos for use on T-shirts, jackets, caps, basketballs, baseball bats, and so on.

Last year, the Gillette Company, Boston, licensed the New York-based National Football League's logo for use in a sweepstakes that asked consumers to guess who would be named most valuable player. First prize: a set of six NFL glasses. And the Toledo-based Owens-Corning Fiberglas Corporation's NFL team jacket promotion was so successful last year—the company gave away more than 160,000 jackets to customers who bought at least 10 rolls of insulation—that it is running again this year.

Corporate logos and brand names are the strongest segment of the licensing business, according to Arnold Bolka, publisher of The Licensing Letter, a newsletter that tracks the industry. "Corporate brand licensing is one of the oldest forms, but it continues to take on additional strength," he says.

This is partly because of a return to traditionalism in the licensing field, Bolka feels. After several years of a trend toward new, untested characters, logos and symbols, the licensing industry growth rate "bottomed out" in 1987. "From the retailer back up through the pipeline [to the manufacturer], there is a resistance to untried properties," he reports. This spurred a return to time-tested char-

acters like the Peanuts gang and Garfield, and to universally recognized corporate logos. "In 1988, we moved back up to very respectable growth," says Bolka.

One of the best-known corporate entities is the Campbell's Soup can—no small thanks to Andy Warhol, whose series of early 1960's pop-art paintings immortalized the brand's packaging. But surprisingly, the Camden, N.J.-based Campbell Soup Company was slow to cash in on the can's status as a hip American icon. Before 1972, the firm allowed other companies to use graphic renderings of its label for free, says advertising vice president Paul Mulcahy. Only in 1982 did Campbell Soup begin to actively pursue licensing opportunities.

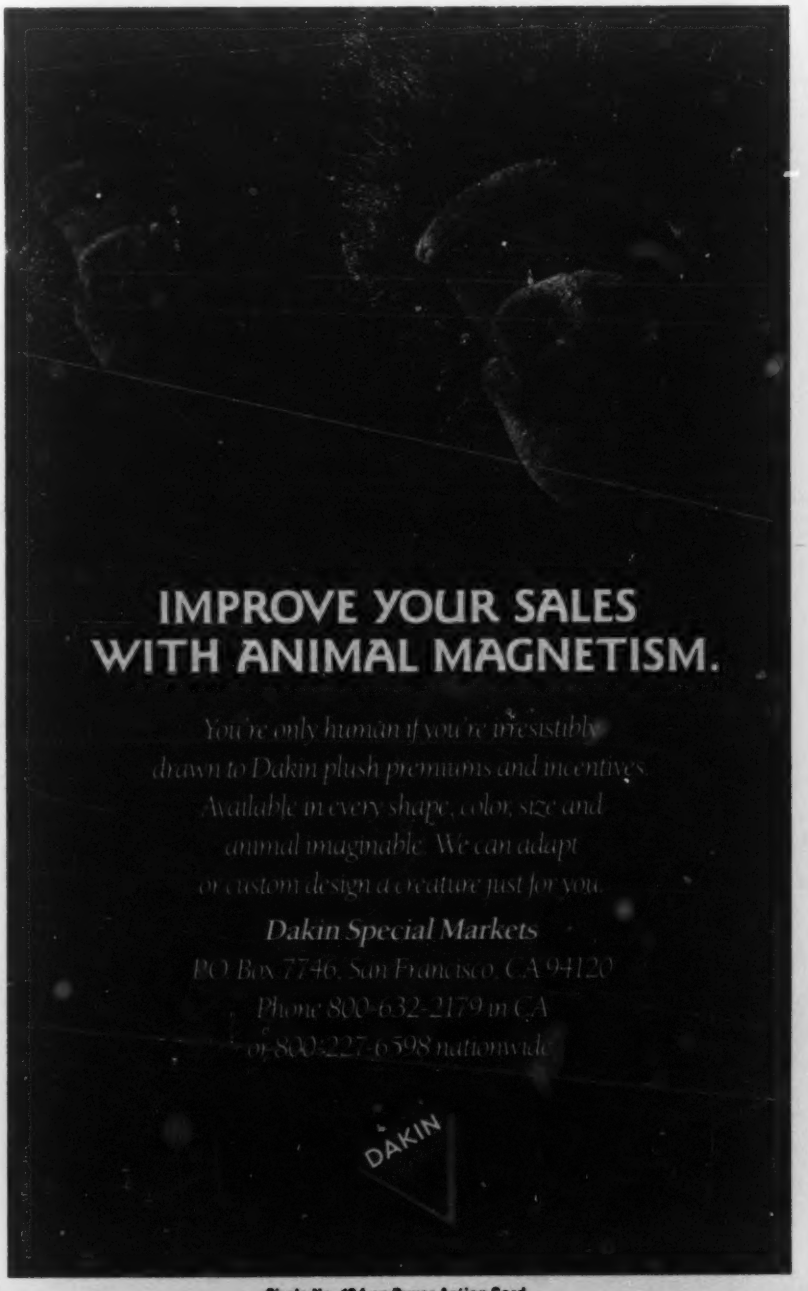
"It provides nice exposure for the brand," says Mulcahy. The company gets a 5 percent to 8 percent royalty on sales of products that use its logo —which is standard in the licensing industry—and is mainly concerned that licensees use it on quality products, he says. The ubiquitous soup cans have appeared on T-shirts, kitchen utensils, refrigerator magnets, Christmas ornaments and many other products—"mostly food related," Mulcahy says. The Campbell Kids characters used in the firm's advertising also are licensed for similar uses.

Campbell Soup's insistence on only associating its name with well-made items and well-run programs is typical of corporate licensors, says Bailey. Most companies want to review potential licensees thoroughly. "The owner of the trademark approves everything and anything involved in bringing [a product that employs a licensed entity] to market," she notes. She calls the process, which requires legal contracts, royalty agreements and liability insurance, "time consuming but usually workable."

Nancy Nicolelis, a spokesperson for comic strip and cartoon character syndicator United Media, says the firm looks for "the quality of the product, the extent of distribution and the money available for promotion" before agreeing to license a property. Both United Media and the character's creator—Peanuts' Charles M. Schulz, for example—must approve any use of the property. Once approved, the syndicator "supports the license" with trade ads, public relations efforts and help in expediting approvals for other uses.

For marketers, the benefits of licensing go beyond the obvious aids of instant name recognition and borrowed equity. The right licensed property can help salespeople sell more effectively as well. "Product knowledge"—an understanding of the license's appeal to both consumers and the trade—will make a big difference in the campaign's success, says Gary Caplan, an independent marketing consultant in North Hollywood, Calif.

"You need to obtain the facts—everything about the license," Caplan advises, and supply salespeople with this information before they go out to pitch your promotion to the trade. For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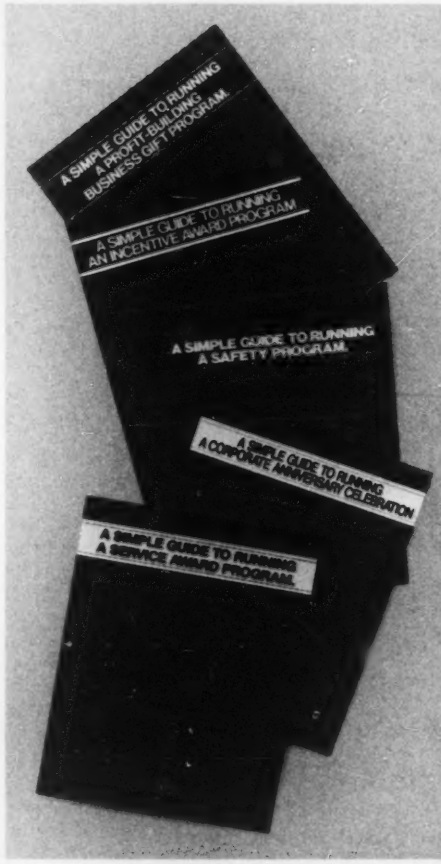
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example, if you are licensing the rights to a film's name, "find out when it will be released, to how many theaters and who is in it."

Licensors should supply video presentations covering all these details, says Caplan. "They should last about five minutes and be available not only to the licensee for sales meetings, but to his salespeople as well, so they can show it to retailers." Lucasfilm, the company that produced "Star Wars," one of the great licensing hits of all time, "was very aggressive and good at attending sales meetings."

There are other ways companies can help salespeople pitch a license-based promotion or sell a licensed product. According to Caplan: "They should provide manuals and bulletins on what's happening with the license." Thermos, for example, whose lunch-box business is "100 percent license driven," publishes its Lunch Lines newsletter every four to six weeks, updating salespeople on licensing activity. "The bulletin should contain sales and 'power' points, such as 'nine out of 10 girls have owned X number of Barbie dolls,' " he says.

Companies should invite licensors to visit their offices, Caplan recommends. At these meetings, the licensor, sales managers and marketing executives should meet face to face. The licensor should bring along samples of other licensees' products and explain how these companies have used the property successfully.

Caplan believes licensors—presumably motivated by the royalties they will receive if salespeople do well—should become the sales force's "selling partners" by going along on key sales calls, perhaps to the top 10 accounts. "Get their spouses and kids involved," he suggests. "Lucasfilm said to sales managers 'give us the names of your reps and their kids and we'll send them fan club material.' " In this respect, even "autographed" photos of Darth Vader or Miss Piggy can be good incentives. And if the budget allows, Caplan suggests sales contests with, for example, a trip to Disney World as a prize for reps using a Disney license.

Do not forget wholesalers and chains. Signs and live character appearances "will make the salesperson a hero to the retailer," says Caplan. □

FACTS SURVEY

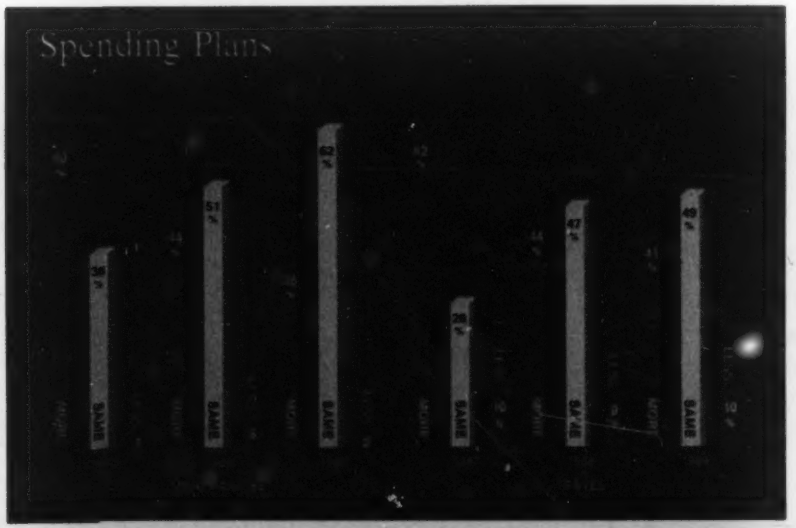
Incentive spending is up this year, while the average cost of awards finally shows some leveling off.

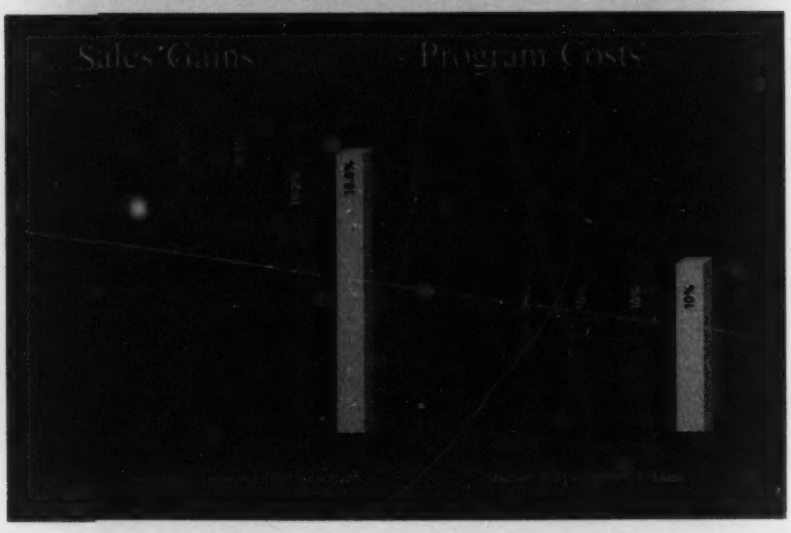
Dealer Motivation

Marketers feel a bit more bullish about dealer incentives than they have in recent years. Surveyed users estimate that they will spend 7 percent more for dealer merchandise and travel this year than in 1988. A year ago, a similar group said they were increasing expenditures by 4.7 percent. But as the year wore on, they loosened the purse strings and upped their activity by 6.3 percent. This year's predictions could yield the largest growth since 1985, when expenditures rose by 8.9 percent.

Performance results from dealer incentives lost ground last year and show only slight improvement in the latest survey: Sales gains average 16.6 percent, up from 16.2 percent in 1988. But in the three prior years, increases averaged 18.4 percent or better.

Participation levels are nothing to get excited about either. The percentage of dealers responding to incentive offerings continues to slip gradually, from 53 percent last year to 51 percent now.





There is good news about the unit cost of awards: some downward movement in place of rapid increases. The average cost of a dealer merchandise incentive is now $195, compared with last year's $228. The median remains at $50.

In travel, the average cost per winner fell to $2,028 from last year's $2,221. But the median—a typical user's cost—rose by $75 to $1,850. In terms of per-person cost, the average trip now comes to $1,265, compared with $1,221 last year; the median climbed $200 to $1,200.

Expenditures for merchandise rose faster than travel costs. The surveyed users plan to invest 8.3 percent more for merchandise, but only 4.6 percent more for travel.

One bright spot in the bottom-line measure of cost is the percentage of incremental sales spent on the program. That figure is only 10.7 percent, down from last year's hefty 14.7 percent. The median cost has remained steady at 10 percent for six years.

The marketers' frequency of dealer promotion has not changed much. About 73 percent of respondents said they use a median of two campaigns offering merchandise only; 42 percent use travel only in a median of one per year, and 23 percent combine both merchandise and travel in the same promotion for a median of one such event annually. The figures add up to more than 100 percent, because over one-third of respondents run programs in multiple categories.

HOW THEY DO IT

WHO MAKES FINAL BUYING DECISION

56% Pres., CEO, exec. VP or gen. mgr.
36% Director of sales or marketing
5% Product manager or merchandising manager
3% Director of advertising or sales promotion

HOW DEALER INCENTIVES ARE PROMOTED

75% Company sales force
53% Direct mail
34% Literature with product
28% Dealer sales meetings
23% Trade shows
13% Wholesalers or brokers
7% Trade-paper ads

WHEN MOST PROMOTIONS ARE LAUNCHED

15% January	7% July
9% February	8% August
12% March	10% September
6% April	9% October
7% May	4% November
9% June	4% December

Among the middlemen targeted by these promotions, wholesalers and distributors are slightly more prominent this year—reached by 57 percent, compared with 50 percent in 1988. Retailers receive 34 percent of the offerings; commercial/industrial dealers account for 22 percent, and service contractors for 11 percent. The retailers are of five types: specialty stores, 13 percent; grocers, 7 percent; variety and department stores, 6 percent; drugstores, 4 percent, and service stations, 4 percent.

Most of the dealer promotions—45 percent—push selected items from the manufacturer's line. Thirty-seven percent take a broader approach, featuring the entire line; only 19 percent isolate single items to promote.

On top of award costs, the user must budget for trade participation promotion—printed literature, mailings, meetings, gifts, etc.—which averages 18 percent of total expenditure. The median promotion cost, however, is only 10 percent, neutralizing the effects of a few very big spenders and leaving 90 percent of the total budget for awards.

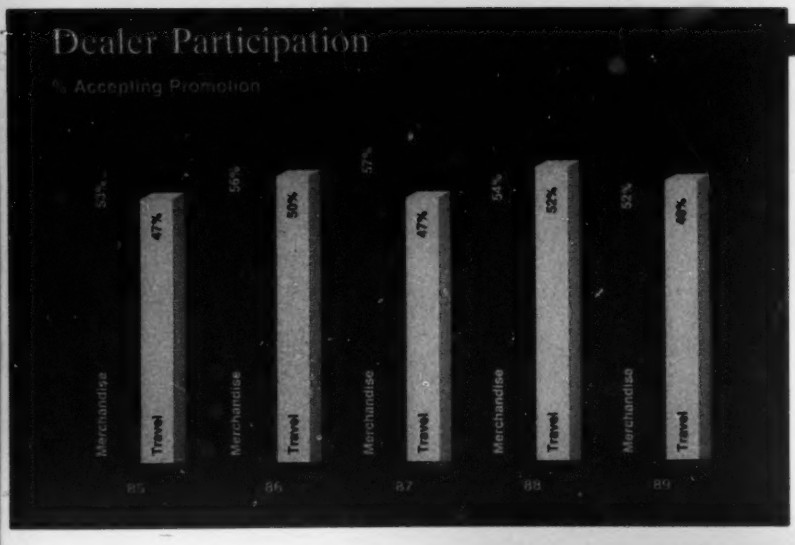
The amount spent for promotion depends somewhat on the length of the selling period, which varies from a matter of days to as long as a year and a half. A special deal tying the incentive to a specific product purchase averages 10 weeks in length, while a dealer contest or sweepstakes runs to 17 weeks. In a travel program, time to qualify is usually longer: The average this year is 27 weeks.

These time figures refer to how long the company spends in the field beating the drum—and do not include the necessary planning period for the campaign. Planning often takes longer than the actual program. In this survey, the average planning time for a merchandise promotion was 13 weeks, and for travel, 26 weeks.

The respondents' complaints and frustrations often revolve around merchandise or travel services suppliers. For the merchandise buyer, problems include getting quotations or samples and delivery delays.

Travel planners have a wider range of concerns. One is cost. "For foreign travel," says Allen Yoder Jr., president of Jayco Inc., a Middlebury, Ind.-based manufacturer, "the cost has increased so greatly it is difficult to [afford] the quality...trips our dealers have become accustomed to. This has happened over the past five years." Yoder, who took between 300 and 350 people on a Caribbean cruise last year, says he is cutting back significantly on this year's travel plans.

At the Edward B. Ward Company, a South San Francisco heating and air-conditioning distributor, president J. W. Lazor also is reducing his travel budget this year—and says he has periodic problems with suppliers. "As a Carrier distributor," he comments, "incentive travel is set up annually by the manufacturer. However, we will in certain years choose to run our own trips if we do not find the manufacturer's offering acceptable. When going to an outside travel company, all too often what you preview is not



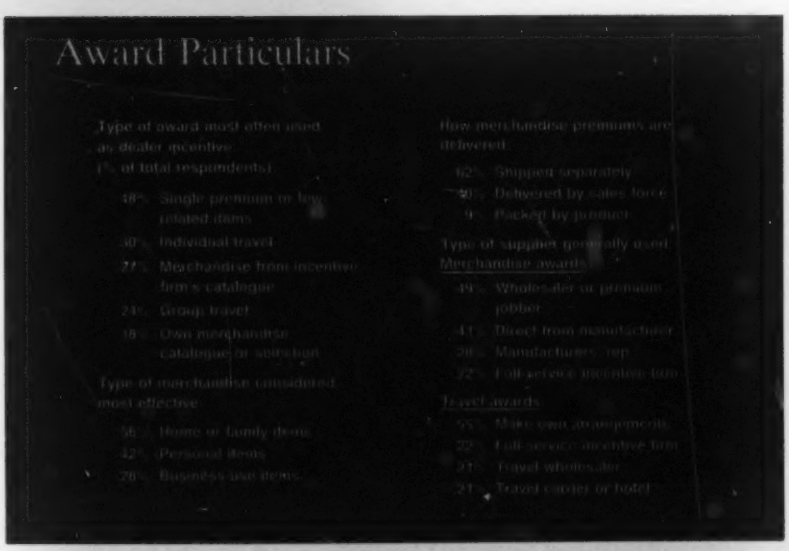
Surveyed users plan to invest 8.3 percent more in merchandise, but only 4.6 percent more in travel programs.

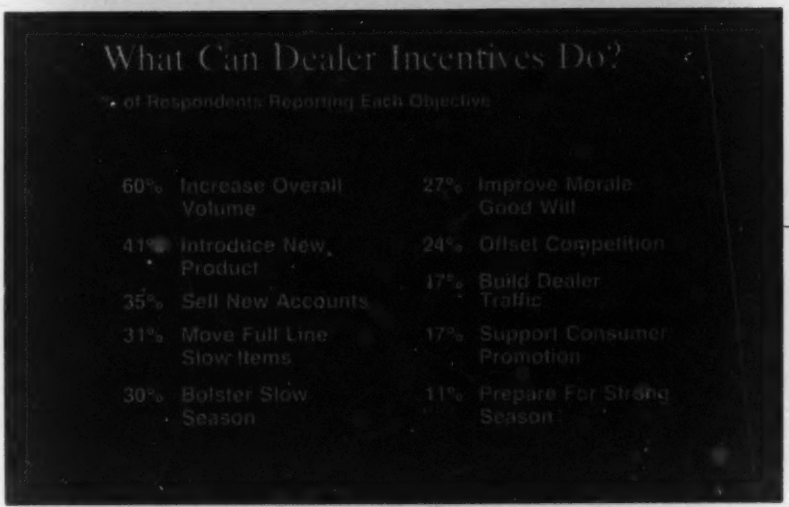
what you get, resulting in unhappy customers. You don't want to spend a lot of money on incentive travel and end up with unhappy customers."

Many say a site inspection before the trip is essential, but Loretta Blinn, marketing manager of Califone International Inc., a Chatsworth, Calif.-based electronics firm, has her doubts. Of overseas site inspections, she says, "The travel is great; the hotels and service are fabulous. The ground service bends over backwards, and the airline is most accommodating. Then the group arrives! I travel with a clipboard in one hand and a whip in the other. These foreign professionals must believe we meeting planners are complete idiots. Half of my time traveling with the group is spent reminding the vendors of forgotten promises. The day that one of my incentives is as good as the site inspection, I will retire....It just wouldn't be fun any more!"

An assessment of a program's overall effect on sales should determine its success. How do users calculate the sales activity that goes into the evaluation? A tally of dealer orders is the most common benchmark, used by 50 percent of the surveyed executives. But three other ways of taking a count are also widely employed: factory shipments, 33 percent; new accounts, 31 percent, and sales-force reports (which may include some parts of the other measures), 28 percent.

This survey is based on the responses of a limited group of dealer incentive users: 168 companies that gave **Incentive** information on their experiences and budget figures for two years. □




What Can Dealer Incentives Do?
% of Respondents Reporting Each Objective
60% Increase Overall Volume
41% Introduce New Product
35% Sell New Accounts
31% Move Full Line Slow Items
30% Bolster Slow Season
27% Improve Morale Good Will
24% Offset Competition
17% Build Dealer Traffic
17% Support Consumer Promotion
11% Prepare For Strong Season

From the top: Dealer participation has been slipping since 1986—to 51 percent this year. Most survey respondents choose home- or family-oriented awards acquired from wholesalers or premium jobbers. The usual objective is to increase overall volume or introduce new products.